JLARC | JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

FACT SHEET

Report No. 412

Senator Charles J. Colgan, Chair
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Review of the Tobacco Indemnification and Community Revitalization Commission

June 13, 2011

BACKGROUND

The Tobacco Indemnification and Community Revitalization Commission was formed by the General Assembly in 1999 to revitalize Virginia's tobacco region and compensate tobacco farmers for the decline in tobacco production. These activities are funded by the state's share of the 1998 Master Settlement Agreement between 46 states and large tobacco manufacturers. Virginia has securitized half of its future settlement payments, resulting in a $1 billion endowment managed by the Treasury Department. The commission's assets are thus both finite and diminishing. As of June 2011, total cash and investments equaled $606 million, and assets are projected to be less than half that amount by 2015. The commission has sought to help revitalize the economy of the 41 localities in Southside and Southwest Virginia that make up the tobacco region by making grants primarily to local governments and nonprofits. As of June 2011, $756 million has been awarded to fund industrial parks, public infrastructure, research and development projects, higher education and workforce training initiatives, and tourism projects.

KEY FINDINGS

In our review of the performance of the Tobacco Indemnification and Community Revitalization Commission, we analyzed data on more than 1,000 funded projects and visited more than 30 project sites. We noted the following:

- Grants awarded by the commission for broadband infrastructure, workforce training and education, and Tobacco Region Opportunity Fund incentives (which often are used to help attract private investment and create jobs) have significantly benefitted the region's economy. However, the grants have yet to revitalize the region, which lags the rest of the state on economic indicators such as unemployment, per capita income, and educational attainment.
- The commission's most strategic initiatives, such as funding broadband infrastructure, account for approximately half of its awards. The commission has not consistently followed a strategy for achieving economic revitalization, however, and has funded numerous small projects that have limited potential for significant economic impact.
- The commission has few resources devoted to monitoring performance of funded projects. Its staff instead primarily reviews grant applications and processes reimbursement requests.

SUMMARY OF SELECTED RECOMMENDATIONS

- The commission should expend greater resources on improving the region's workforce.
- When awarding grants, priority should be given to projects that would benefit the most economically challenged localities. The commission should implement a formal process for collecting input on the economic development priorities of the region and use this information to inform and revise its strategic plan and set its own priorities.
- The commission should be required to restrict grant awards to projects whose applications demonstrate how they will address key economic indicators in the region.
- The commission should improve how it monitors and documents the performance of funded projects. Additional staff should be hired to monitor performance and a mechanism should be developed for tracking awards made to each project and in each locality in the region.
- The size of the commission should be reduced, and some members should be required to have experience in economic development, finance, and education.